

Message Text

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70

ACTION ARA-10

INFO OCT-01 ISO-00 AGR-10 CEA-01 CIAE-00 COME-00 DODE-00

EB-07 FRB-01 H-02 INR-07 INT-05 L-02 LAB-04 NSAE-00

NSC-05 PA-02 AID-05 CIEP-02 SS-15 STR-04 TAR-01

TRSE-00 USIA-15 PRS-01 SP-02 OMB-01 FEA-01 /104 W

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R 201910Z FEB 75

FM AMEMBASSY LIMA

TO SECSTATE WASHDC 4002

INFO AMEMBASSY BOGOTA

AMEMBASSY CARACAS

AMEMBASSY LA PAZ

AMEMBASSY QUITO

AMEMBASSY SANTIAGO

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E.O. 11652: N/A

TAGS: ECIN, ECON, EIND, EALR, EINV

SUBJECT: ANDEAN PACT: COMMISSION MEETING AND JUNTA WORK PROGRAM

1. COMMISSION MET FEBRUARY 11 TO 15 PRIMARILY TO CONSIDER AUTOMOTIVE, PETROCHEMICAL AND FERTILIZER INDUSTRY PROGRAM PROPOSALS. ALSO ON AGENDA WERE 1975 JUNTA WORK PROGRAM AND REPORTS FROM VARIOUS CONSULTATIVE COMMITTEES. ON SUGGESTION OF BOLIVIA, THE U.S. FOREIGN TRADE LAW AND ANDEAN JOINT POSITION IN GATT NEGOTIATIONS WERE ADDED TO THE AGENDA. COLOMBIA INSISTED ALSO ON DISCUSSION OF ANDEAN MULTINATIONAL ENTERPRISES STATUTE.

2. THE MEETING WAS ADJOURNED TO MARCH 10 WITHOUT A PUBLIC STATEMENT OR INTERIM REPORT. THE REASON WAS THAT ALL DELEGATIONS WANTED ADDITIONAL CONSULTATIONS WITH HOME GOVERNMENTS ON THE INDUSTRIAL PROGRAMS. CHILE, ECUADOR AND PERU FAVOR APPROVAL OF PETROCHEMICAL PROGRAM AS IT STANDS, WITH ONLY SLIGHT MODIFICATIONS. COLOMBIA PREFERS REDUCTION OF SCOPE OF PROGRAM, LEAVING LARGEST POSSIBLE NUMBER OF PRODUCTS TO FREE COMPETITION. BOLIVIA INSISTS

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ON ADDITIONAL EXCLUSIVE BENEFITS. VENEZUELA AGREES WITH PROGRAM,

BUT INSISTS ON PRIVILEGE TO CONSTRUCT ANY TYPE OF INSTALLATION, EVEN IF NOT ASSIGNED TO THAT COUNTRY, AS LONG AS ADEQUATE ASSURANCES ARE GIVEN THAT PRODUCTION FROM THOSE PLANTS WILL GO TO NON-ANDEAN MARKETS.

3. THE FERTILIZER PROGRAM IS CLOSELY TIED IN WITH THE PETRO-CHEMICAL PROGRAM. JUNTA OFFICIALS SEEN CONFIDENT THAT BOTH WILL BE APPROVED IN MARCH. AUTOMOTIVE PROGRAM IS MORE PROBLEMATIC, BUT POLITICAL DETERMINATION TO MOVE AHEAD WITH ANDEAN INTEGRATION PLAN MAY LEAD TO A BREAKTHROUGH IN NEGOTIATIONS.

4. ANDEAN STATUTE FOR MULTINATIONAL ENTERPRISES (DECISION 46) IS RATIFIED TO DATE ONLY BY BOLIVIA, CHILE, COLOMBIA AND VENEZUELA. STATUTE REQUIRES RATIFICATION BY ALL SIX COUNTRIES PRIOR TO TAKING EFFECT.

A LAWYER IN ONIT, PERU'S INTEGRATION OFFICE, INDICATED TO EMBOFF THAT PERU MAY RATIFY THIS STATUTE BY APRIL. JUNTA LAWYER COMMENTED TO EMBOFF THAT IF PERU AND ECUADOR DO NOT MOVE ON THIS SHORTLY, STATUTE WOULD BE MODIFIED TO PERMIT ITS APPLICATION AMONG THE OTHER FOUR COUNTRIES. COLOMBIA FEELS STRONGLY THAT BENEFITS FROM INTEGRATION CAN ONLY BE SPREAD EQUITABLE IF ANDEAN JOINT VENTURES ARE SET UP FOR DISTRIBUTION AS WELL AS FOR PRODUCTION OF ITEMS ALLOCATED UNDER THE INDUSTRIAL PROGRAMS.

5. JUNTA WORK PROGRAM FOR 1975, WHICH IS EXPECTED TO BE APPROVED BY COMMISSION IN MARCH, IS EXTREMELY AMBITIOUS:(A) FOURTEEN ADDITIONAL INDUSTRIAL PROGRAM PROPOSALS TO BE PRESENTED BY SEPTEMBER; (B) FINAL COMMON EXTERNAL TARIFF SCHEDULE TO BE READY FOR CONSIDERATION BY MEMBER GOVERNMENTS BY JUNE 30; (C) PROPOSALS RELATED TO EXPORT PROMOTION, HARMONIZATION OF EXPORT INCENTIVES AND COUNTRY OF ORIGIN RULES; (D) PROPOSAL, IN COOPERATION WITH CENTRAL BANK AUTHORITIES, FOR A COMMON RESERVE FUND; (E) PROPOSAL FOR UNIFORM TAXES FOR VEHICLES, AS WELL AS OTHER FISCAL POLICY HARMONIZATION STEPS; (F) REASSESSMENT OF ANDEAN ECONOMIC INTEGRATION STRATEGY; (G) PRESENTATION OF ADDITIONAL JUSTIFICATIONS FOR ESTABLISHMENT OF ANDEAN COURT; (H) PROPOSAL ON LABOR MIGRATION POLICIES, AS WELL AS VARIOUS PROGRAMS IN THE AGRICULTURAL SECTOR, IN SCIENCE AND TECHNOLOGY, IN TRANSPORT, TOURISM, STATISTICS, AND IN UNCLASSIFIED

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PUBLICITY.

6. AN ITEM OF SPECIAL INTEREST IN THE JUNTA WORK PROGRAM IS PRESENTATION OF A DOCUMENT BY APRIL OF STEPS FOR THE UNIFORM APPLICATION OF THE ANDEAN FOREIGN INVESTMENT CODE IN THE SIX COUNTRIES.

7. COMMENT: THE AGREEMENT OF CARTAGEAA SPECIFIES THAT ALL

SECTORAL PROGRAM NEGOTIATIONS BE CONCLUDED BY THE END OF 1975.
THIS DEADLINE WOULD BE DIFFICULT TO POSTPONE WITHOUT CREATING
SERIOUS MALADJUSTMENT IN THE GENERAL TRADE LIBERALIZATION
PROGRAM, WHICH IS MORE OR LESS ON SCHEDULE. AS QUOTED IN LIMA'S
EL COMERCIO OF FEBRUARY 19, COMMISSION PRESIDENT ADOLFO
GUTIERREZ STATED
SOMEWHAT DRAMATICALLY THAT 1975 WILL SIGNIFY THE LIFE OR DEATH
OF THE ANDEAN PACT.
DEAN

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